

NOTICE OF CLASS ACTION SETTLEMENT

This Notice pertains to the settlement (“Class Action Settlement”) of a class action lawsuit entitled Christopher B. Chandler, et al., v. Long Beach Care Center, Inc., et al., Los Angeles Superior Court Case No. BC403866 (the “Lawsuit”). The Class Action Settlement applies to the following nursing home facilities only:

(1) LONG BEACH CARE CENTER (“LBCC”) and (2) THE PALMCREST GRAND CARE CENTER (“PGCC”) (the “Facilities”) and their affiliated owners and companies, Vicki P. Rollins, William A. Nelson, Rollins-Nelson Healthcare Management Company, Inc., and Rollinsnelson Ltc Corp. (together with the Facilities, “Defendants”).

The Los Angeles Superior Court (the “Court”) has ordered that notice be given of the proposed Class Action Settlement in the Lawsuit. If the proposed Class Action Settlement is approved by the Court, your legal rights may be affected. This Notice of Proposed Class Action Settlement summarizes the Class Action lawsuit and the settlement, and what you need to do if you want to file a claim, opt out of the class, or object to the settlement.

The Lawsuit includes: (1) personal injury claims on behalf of the Representative Plaintiff and her surviving family member (“Individual Personal Injury Allegations”), and (2) Class Allegations on behalf of the Class (“Class Allegations”). The Parties have reached an agreement to settle both the Individual Personal Injury Allegations as well as the Class Allegations, subject to the Court’s approval.

The damages sought for the estate of the Representative Plaintiff and her successor in interest through the Individual Personal Injury Allegations are separate and apart from damages sought for the Class under the Class Allegations, the latter of which seeks relief on behalf of the entire Class of persons who resided at LBCC and/or PGCC during the Class Period. The Individual Personal Injury Allegations include allegations of Elder Abuse and Neglect, Negligence, Willful Misconduct, Constructive Fraud, and Fraud by Misrepresentation. The relief recovered by the Representative Plaintiff for the settlement of the Individual Personal Injury Allegations does not affect the relief recovered by the Class Members under the Settlement of the Class Allegations.

The damages sought for the Class under the Class Allegations seek relief on behalf of the entire Class of persons who resided in either Long Beach Care Center or The Palmcrest Grand Care Center during the Class Period. Under the Class Allegations, the Representative Plaintiff alleges that the Defendants violated the California Consumer Legal Remedies Act (Civil Code section 1770 et seq) and Health & Safety Code section 1430(b) by allegedly (1) failing to meet California’s minimum staffing requirements, (2) failing to employ an adequate number of qualified employees to carry out all facility functions at the Facilities operated by the Defendants during the Class Period, and (3) engaging in false, deceptive and misleading advertising regarding the quality of care provide at the Facilities during the Class Period. The Defendants have denied, and continue to deny, any wrongdoing, as alleged in the Complaint or at all. The Court has made no determination about the merits of Plaintiff’s claims or Defendants’ defenses.

The Court has already ruled, through contested Class Certification Motions, that the Litigation may be maintained as a Certified Class Action on behalf of the following Class of persons: All persons who resided in Long Beach Care Center, Inc. during the period of December 15, 2005 to July 18, 2012 and all persons who resided in The Palmcrest Grand Care Center, Inc. during the period of December 15, 2005 to February 6, 2011 (“Class Period”). Excluded from the class are any of the Defendants’ officers, directors and employees; legal representatives, successors, and assigns; any entity in which one or more of the Defendants has a controlling interest; any judge to whom the Litigation is assigned and all members of his or her immediate family; and all persons who timely and validly request exclusion from the Class.

KEY SETTLEMENT TERMS

The parties have negotiated a proposed settlement, the terms of which are set forth in the Class Action Settlement dated March 18, 2014 (“Settlement”), which is subject to Court approval. The complete Settlement Agreement for the Lawsuit can be obtained at <http://www.yeroushalmilaw.com>. Here are the key terms of the Settlement:

1. Injunction.

Pursuant to a Court-ordered injunction, the terms of which were negotiated by the parties to the Settlement, Defendants will ensure that nurse staffing levels at Long Beach Care Center, Inc. meet at least the minimum staffing requirements under California law. According to Health & Safety code section 1276.5, skilled nursing facilities operating in California are required to provide a minimum nursing staff-to-resident ratio of 3.2 Nursing Hours Per Patient Per Day (“NHPPD”). Through the instant Settlement, the defendants are agreeing to provide a minimum nursing staff-to-patient ratio of 3.2 NHPPD at Long Beach Care Center, Inc. (Defendants no longer own, operate, or manage The Palmcrest Grand Care Center, Inc.; thus, The Palmcrest Grand Care Center, Inc. is not participating in

the requirements of the injunction.) The injunction shall become effective on the Effective Date of the Settlement, if it occurs, and remain in place thereafter for at least two years. This injunction, negotiated by the Class Representative and Class Counsel, confers a significant benefit on the Class Members still residing in the Facilities. All costs associated with the injunction and its enforcement shall be borne entirely by Settling Defendants.

Some of the benefits of the Injunction include, but are not limited to, the following:

Once a month for two years, Defendant shall provide the Independent Monitor with a monthly report (herein, "Compliance Report") that contains detailed information about the actual and verifiable staffing levels provided by LBCC. The information included within the Compliance Report shall include, but is not limited to: (a) The actual nursing hours for each shift of each day during the prior monthly period (the "reporting period"); (b) the resident census for each day during the reporting period; (c) the NHPPD for each day during the reporting period; (d) the hire date, enrollment status, and training commencement date for each nurse assistant who is not yet certified, if any, whose hours have been included in the NHPPD calculation during the reporting period; (e) documentary evidence, such as time card correction forms signed by the employee and supervisor, for all Nursing Hours claimed for any personnel with primarily administrative and/or non-nursing titles or duties; and (f) documentary evidence demonstrating actual dates, hours and assignments of all registry personnel providing direct nursing care and included in categories of Nursing Staff. Furthermore, Defendant shall provide the Monitor with any other back up data and information requested by the Monitor for the Monitor, if reasonably necessary, to do an in depth audit of the documentation provided by Defendant in support of Defendant's assertion of compliance with all terms of the Injunction. The Independent monitor will utilize the Compliance Reports and other staffing information to audit the staffing levels of LBCC - for a period of two years - to ensure compliance with the Injunction.

The Defendants have also agreed to surprise inspections by the independent monitor to determine compliance with the injunction. Should the monitor find substantial violations of the Injunction to be issued by the Court, there will be corrective action and there may be penalties imposed. The Court will retain jurisdiction to monitor and enforce the injunction.

2. Cash Payments to Eligible Class Members.

The Defendants' obligation to pay cash to Class Claimants will be capped at a total payment of \$500,000 – the "Class Settlement Cash-Fund." One half of the costs of Class Notice and Administration of Settlement shall come from the Class Settlement Cash-Fund, and the other half of such costs shall be the responsibility of the Settling Defendants, and shall be paid by Settling Defendants above and beyond the Total Cash Amount of \$1,500,000 under the terms of this Settlement. In the event that the amount of total claims submitted plus one half of the costs of Class Notice and Administration of Settlement exceeds \$500,000, the payments to Class Claimants shall be pro-rated. The amount of \$500,000, which is subject to Court approval, will benefit the Class as follows:

(a): Payments to Current and Former Living Residents of Defendants' Facilities:

All persons who resided in Long Beach Care Center, Inc. any time from December 15, 2005 to July 18, 2012, or who resided in The Palmcrest Grand Care Center, Inc. from December 15, 2005 to February 6, 2011, are entitled to receive \$400 if they timely submit a Claim Form.

(b): Payments to Family Members of Deceased Former Residents (Survivors):

The Successor in Interest of a deceased resident who resided in Long Beach Care Center, Inc. from December 15, 2005 to July 18, 2012, or in The Palmcrest Grand Care Center, Inc. any time from December 15, 2005 to February 6, 2011, is entitled to receive \$200 if they timely submit a Claim Form.

(c): Cy Pres Fund:

In the event that total payments to Class Claimants plus half of the costs of Class Notice and Administration of Settlement are less than \$500,000, any unpaid amount ("Unused Funds") will not remit to Defendants, but shall be distributed for the benefit of the Class as follows: the Unused Funds shall be donated by Defendants, by way of equal or approximately equal awards in the nature of Cy Pres to the following charitable or non-profit organizations, which have been approved by the Court as serving a purpose that has a nexus with the underlying causes of action in this Litigation (the "Proposed Cy Pres Recipients"):

- a. Grace Resources, Inc.
- b. Disabled Veterans of America
- c. American Alzheimer's Association
- d. California Advocates for Nursing Home Reform
- e. Jewish Family Services of Los Angeles

- f. Wise and Healthy Aging
- g. LA Caregiver Resource Center, a program of Partners in Care Foundation
- h. American Stroke Association
- i. Bet Tzedek Legal Services
- j. St. Vincent Meals on Wheels

The Proposed Cy Pres Recipients shall be selected by Class Counsel, subject to the agreement of Defendants and Final Approval of the Court. These funds are to be expended by Defendants over the period of two years after the Judgment becomes Final.

3. Payment to Representative Plaintiff for Settlement of Individual Claims.

The Representative Plaintiff, Christopher B. Chandler, dutifully served as Class Representative and zealously pursued the best interests of the class in the face of consistently tough and strong resistance and intransigence from Defendants. Nevertheless, there is no traditional incentive payment to the Representative Plaintiff. However, in consideration for the settlement and release of his individual claims for Elder Abuse, Negligence, Willful Misconduct, Constructive Fraud, and Fraud by Misrepresentation, Plaintiff will separately receive \$150,000 from certain of the Settling Defendants who were also defendants to the individual allegations in the initial Complaint. Representative Plaintiff's Individual Settlement is contingent upon Final Approval of the Stipulation of Settlement, which are executed concurrently. The Court will have an opportunity to consider evidence and to rule that the payment to Plaintiff for settlement of the individual personal injury claim is fair and reasonable relative to the strengths and merits of plaintiff's claims and other settlements of similar elder abuse claims in California.

4. Attorneys Fees and Litigation Costs. As approved by the Court, two law firms served as "Class Counsel" throughout the Lawsuit on behalf of the Class: the Law Offices of Ben Yeroushalmi, and Yeroushalmi & Associates. Class counsel have worked on the case since at least June 2008, taken or defended half a dozen depositions, interviewed more than 100 witnesses and obtained signed affidavits in support of Plaintiffs' allegations from 50 such witnesses, reviewed more than 100,000 pages of documents, briefed and argued over 50 motions (including two writs or applications to the appellate courts, one of which was a battle with the entire long term care industry seeking to overturn the Court's ruling granting class certification in this matter), succeeded on two vigorously opposed Motions for Class Certification, engaged and extensively consulted more than a half dozen expert witnesses and consultants, recalculated years of nurse to patient staffing ratios, and vigorously prepared the case for success at trial. During these five years of litigation (which included extensive research and investigations of the scope and severity of the Defendants' alleged violations both prior to filing the instant Lawsuit and throughout the Litigation) Class Counsel have received no compensation for their services, have advanced substantial litigation expenses on behalf of the Class, and have turned down countless opportunities for paid employment to focus their efforts on this intensely fought litigation. Subject to Court approval, the Defendants have agreed to pay, and Class Counsel will apply for reimbursement of attorneys' fees and costs in the amount of Eight Hundred Fifty Thousand Dollars (\$850,000), and amount which is well below Class Counsel's actual "lodestar" for work and services performed and costs incurred in this action. Any award of attorneys' fees and expenses will be paid separately from, and will not reduce, the benefits provided to Class members under the Settlement. Class Members are not personally liable for any attorneys' fees and expenses to Plaintiffs' counsel.

5. Release of All Claims.

The Defendants categorically deny any and all allegations made by Plaintiffs in the Litigation, and affirm their ongoing commitment to remain in compliance with all applicable laws and regulations governing skilled nursing facilities in the State of California, including but not limited to the staffing requirements of California Health & Safety Code section 1276.5 ("Section 1276.5"). Defendants similarly deny any and all allegations of fraud as related to interactions with consumers, and affirm their intent to continue to operate within the terms and provisions of the Consumer Legal Remedies Act. Nevertheless, in exchange for agreeing to the injunction, the cash payments to class members (and to the Successors in Interest of deceased class members) and the other consideration from the Defendants as provided in the Settlement, Defendants and their related entities and affiliates shall be released from the following claims, and only from the following claims: allegations of violations of (1) California Health & Safety Code section 1430(b) based only on violations of Health & Safety Code sections 1276.5 or 1599.1(a), and nothing else, and (2) the Consumer Legal Remedies Act, predicated only on misrepresentations of the quality of care as related to the staffing levels in the facility, and in particular based on violations of Health & Safety Code sections 1276.5 or 1599.1(a), and nothing else. By releasing these claims, you will be giving up important rights and benefits, including the right to assert these or related claims to a jury. You may wish to consult with your own attorney before deciding to stay in the Class and give up those rights. Claims for personal injuries (if any) have been specifically excluded

from the Lawsuit, and, as such, are not being released as part of the Settlement. Furthermore, claims for any other “Patients’ Rights” violations under Health & Safety Code section 1430(b) other than those claims based on violations of Health & Safety Code sections 1276.5 or 1599.1(a) have also been specifically excluded from the Lawsuit, and, as such, are not being released as part of the Settlement.

HOW TO PARTICIPATE IN THE SETTLEMENT:

If you are a member of the Certified Class, or you are a Successor In Interest to a deceased Class Member who was a resident of LBCC or PGCC during the certified class periods, and wish to participate in the Settlement, you must complete and submit the Claim Form in the manner prescribed therein, to the address listed on the Claim Form. The beneficiaries or surviving family members (Successors in Interest) of a deceased class member may participate in the Settlement and receive a cash payment by following the instructions on the Claim Form. Your interests will be represented by Class Counsel. If you choose, you may enter an appearance individually or through your own counsel at your own expense. You have the right to consult and/or retain an attorney of your own choice, at your own expense, to advise you regarding the Settlement and your rights in connection with the Settlement. **If you have questions about this settlement, you may contact counsel for the Plaintiffs at 310-623-1926.**

HOW TO OPT-OUT:

If you are a member of the Class and wish to exclude yourself from the Class, you must mail a signed request for exclusion from the Class to: Gilardi & Co., LLC, P.O. Box 6002, Larkspur, CA 94977-6002. Your request must be postmarked no later than thirty (30) days after which the date on which the Class Notice is mailed. Your request must contain (1) the name of this lawsuit; (2) your full name and current address; (3) a statement of intention to exclude yourself from this lawsuit; and (4) your signature. If you exclude yourself from the Class, you will not be entitled to participate in or object to the Settlement, you will not be entitled to submit a Claim Form, and you will not be bound by the Settlement or Judgment.

HOW TO OBJECT TO THE SETTLEMENT:

If you are a member of the Class and wish to object to or comment upon the Settlement, the objection must contain (1) the name of this lawsuit; (2) your full name and current address; (3) the grounds for your objection; and (4) that you resided in Long Beach Care Center, Inc. any time from December 15, 2005 to July 18, 2012; or resided in The Palmcrest Grand Care Center, Inc. from December 15, 2005 to February 6, 2011. Class Members may so object either on their own or through an attorney hired at their own expense. Class Members who intend to appear and be heard at the Final Approval Hearing shall be required to so state in connection with their objection. Objections must be filed with the Court listed below, no later than twenty (20) calendar days after the Class Notice Date.

Clerk of the Court
Superior Court of the State of California
County of Los Angeles
111 N. Hill Street,
Los Angeles, CA 90012

Copies of any written objections must also be served on Plaintiffs’ Class Counsel and Defendants’ Counsel, at the following addresses: Law Offices of Ben Yeroushalmi, APC, (Plaintiffs’ Class Counsel), c/o Rodney Tolentino, 9100 Wilshire Blvd., Suite 240W, Beverly Hills, CA 90212 and Lewis Brisbois Bisgaard & Smith, (Defendants’ Counsel), c/o Tom Allen, Esq., 650 E. Hospitality Lane, Suite 600, San Bernardino, CA 92408.

FINAL APPROVAL HEARING:

On September 30, 2014, at 8:30 am, the Honorable Ernest M. Hiroshige will hold a hearing in Department 54 of the Superior Court of the State of California for the County of Los Angeles, located at 111 N. Hill Street, Los Angeles, CA 90012, to determine whether the proposed settlement is fair, adequate and reasonable and should be approved. The hearing may be continued or rescheduled by the Court without further notice. The Court may enter its order at the hearing, or it may consider the matter further and enter its order after the hearing. If the Court approves the proposed settlement, it will enter a judgment that will dismiss the Litigation as to all Class Members, except those Class Members who request to be excluded from the Settlement. All people who meet the Class Definition and do not validly and timely request exclusion from the Class will be forever barred from prosecuting their own lawsuits relating to the conduct alleged in the operative complaint and released through the Settlement, and they and their heirs, executors, administrators, and representatives shall be deemed to have fully released and forever discharged such claims against Defendants and related persons and entities that in any way relate to the matters alleged in the Litigation. Personal injury claims are excluded from this definition.